


4-1-2012

The Effects of Organizational Structure on Sustainability Report Compliance

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College of Technology

The Effects of Organizational Structure on Sustainability Report Compliance

In partial fulfillment of the requirements for the
Degree of Master of Science in Technology

A Directed Project Report

By

Kurt Mink

March 29, 2012

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**College of Technology
Graduate Studies**

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Title of Directed Project: The Effects of Organizational Structure on Sustainability Report Compliance

For the degree of Master of Science - Engineering Technology

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DEDICATION

To my amazing wife, Becky – for her unconditional love and support for all that I do.

To my father, Dereke – for providing me the guidance that has led to a fortunate life and instilling in me the characteristics necessary to succeed. My success truly is your success.

To my brother, Brandon – for his unwavering support and influential view on life.

To my in-laws, Steve and Mary Jane – for gaining a son, not losing a daughter.

ACKNOWLEDGMENTS

The amount of support and encouragement while conducting this research during the past two years has been tremendous. There have been several individuals that played an integral role in the completion of this research and I would like to acknowledge them now. First and foremost, I would like to thank Professor Bruce Harding for recruiting me into the Atlantis Program. The opportunity to not only pursue a concurrent master's degree program but also to travel abroad has been one of the most rewarding experiences of my life. I would also like to thank Professor Harding, as my committee chair, for providing guidance throughout the pursuit of this degree and for providing the opportunity to gain valuable experience as his teaching assistant. I would also like to thank my committee members, Dr. Gareth O'Donnell and Dr. Rod Handy, for providing suggestions and mentorship that not only contributed to the development of my research but also to my professional development.

I would also like to acknowledge all of those involved in the Atlantis program, including the Principal Investigators from Purdue, the Dublin Institute of Technology, and the Universitat Politècnica de Catalunya. Specifically, I would like to thank Gareth O'Donnell, in his administrative role, for his unprecedented commitment to the success of each student involved in the Atlantis program. I would also like to thank the Fund for the Improvement of Postsecondary Education, (FIPSE), U.S. Department of Education for its financial support, without which I would not have been able to complete the Atlantis program.

Finally, I would like to thank my family and friends for supporting me through this two-year journey. I would like to specifically thank my wife for her support and sacrifices during my pursuit of this non-traditional masters program, which required a considerable amount of time apart from each other.

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EXECUTIVE SUMMARY

Mink, Kurt E. M.S., Purdue University, May 2012. The Effects of Organizational Structure on Sustainability Report Compliance. Major Professor: Bruce Harding.

The purpose of this qualitative research was to determine the organizational characteristics that contribute to developing sustainability reports with GRI A+ application levels. Judgment sampling was used to select organizations that received an A+ GRI application level in 2010. These organizations were then surveyed using a fifteen-question survey, which emulated the semi-structured interview questions utilized by Farneti and Guthrie (2007). The survey was disseminated to 107 organizations and the responses were collated and analyzed to determine important themes relevant to this research study. The results of this research study suggest a relationship between an organization's genuine commitment to sustainability by their leadership and a sustainability report's compliance level. Furthermore, this research also implies a relationship between the stakeholders' sustainability expectations and the sustainability report compliance level. The combination of an organization's leadership expressing a genuine commitment to sustainability reporting, as well as the stakeholder's expressing expectations for sustainably promotes a sustainability-minded culture within the organization, which facilitates sustainability report production. Also, the compliance level of an organization's sustainability report is contingent upon the organization's ability to overcome resource constraints and to recognize the value of the market incentives generated by the development of a sustainability report. The implications of this research provide a global, multi-industry benchmark for organizations struggling with sustainability reporting compliance, government policy-makers, and stakeholders.

SECTION 1. INTRODUCTION

This research study delves the growing field of sustainability reporting in order to aid in the advancement of sustainability reporting efforts. This section defines the research problem statement, presents the research question, outlines scope, and establishes significance. This section also presents a list of definitions, abbreviations, assumptions, limitations, and delimitations to be utilized in this study.

1.1. Problem Statement

A growing number of research studies have engaged in a comparative analysis in search for the level of sustainability reporting quality among countries, companies, and/or organizations. The majority of these research studies utilize the Global Reporting Initiative (GRI) guidelines as the referenced sustainability reporting tool due to its reputation as the world's leading set of guidelines and the standard in many sectors (Fonseca, Macdonald, Dandy, & Valenti, 2010). The results from this like-minded research contributed significantly to the foundational knowledge necessary to cultivate sustainability reporting tools from infancy. Moreover, 79% of the largest 250 companies worldwide generated a distinct corporate responsibility report in 2008 compared to 52% in 2005 (KPMG, 2008). With the number of organizations reporting sustainability measures rapidly increasing, the question has become a matter of *why* and no longer a

question regarding *what* organizations are reporting (Farneti & Guthrie, 2007). In other words, the question has become “Why are organizations more likely to develop a sustainability report than others?” More specifically, one may ask, “Why are organizations more compliant than others at sustainability reporting?” Cognizance as to why organizations are more compliant at sustainability reporting can prove beneficial to several entities, including: sustainability reporting organizations struggling with report compliance, developers of standardized sustainability reporting tools, policy-makers, as well as others.

1.2. Research Question

This research study investigated which organizational characteristics contribute to developing sustainability reports that are exceptionally compliant¹ with the GRI reporting framework. In determining specific characteristics that cultivate exceptionally compliant sustainability reports, a more concentrated sustainability reporting effort may be implemented by industry members, sustainability reporting framework developers, and policy-makers.

1.3. Scope

Recognition of the advantages and significance of sustainable development induces countries, companies, and organizations to increase sustainability activities and

¹ Exceptionally compliant refers to a sustainability report with a GRI A+ application level, which is defined in Section 1.5.

reporting. The purpose of this research was to investigate which organizational characteristics contributed to developing sustainability reports that were exceptionally compliant with the GRI reporting framework. Organizations considered the most compliant in sustainability reporting during 2010 were ascertained and surveyed to determine the association(s) between organizational characteristics and the compliance level of sustainability reports. Primary data was collected through surveys with 21 organizations, based on the semi-structured interview questions and methodology of Farneti and Guthrie (2007). Secondary data from sustainability databases, provided by firms, such as KPMG International, the GRI, etc., were utilized to supplement research efforts. Discerning the characteristics that were associated with exceptionally compliant sustainability reports provided insight as to why organizations were more compliant than others at sustainability reporting.

1.4. Significance

Disparate research was necessary in order to effectively identify the root cause contributing to the variance in sustainability report compliance. Organizations that are struggling to comply with the GRI reporting framework can benefit from this research by identifying their infrastructural discrepancies when compared to the responses of the organizations with A+ GRI sustainability reports. Also, this research allows organizations that have already achieved A+ sustainability reports to determine the areas of greatest impact for creating compliant reports. Furthermore, the organizations with an A+ sustainability report can identify which characteristics of their organization are the most value-added to their sustainability reporting efforts. Armed with this knowledge, the

organization can then focus efforts and resources to these areas of high-value creation. This research can also benefit standardized sustainability reporting frameworks (such as the GRI) by providing guidance to improve sustainability indicators, which can potentially increase the framework's industry relevance. By determining these important organizational characteristics, policy-makers and stakeholders can understand why certain organizations are struggling in sustainability reporting efforts. The policy-makers and stakeholders are then able to implement policies to incentivize greater compliance in sustainability reporting. In summary, this information can act as a benchmark or set of best practices for organizations struggling with sustainability reporting compliance, government policy-makers, and stakeholders.

1.5. Definitions

A+ GRI sustainability report – a sustainability report submitted to the GRI that meets the highest level of reporting criteria and has been externally assured (GRI, 2006).

KPMG – firm that specializes in audit, tax, and advisory services (KPMG, 2008).

organization – broad term that refers to a company within any industry sector.

primary data – data that is directly collected by the researcher in order to conduct the current research (Sekaran & Bougie, 2010).

secondary data – data that has previously been collected that is used to conduct the current research (Sekaran & Bougie, 2010).

semi-structured interview – structured interview that allows interviewee to speak freely without guiding constraints. (Farneti & Guthrie, 2007).

stakeholders – “include those who are invested in the organization (e.g., employees, shareholders, suppliers) as well as those who are external to the organization (e.g., communities).” (GRI, 2006, pp.10).

sustainability reporting – “the practice of measuring, disclosing, and being accountable for organizational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organization, including both positive and negative contributions.” (GRI, 2007, G3 Guidelines).

sustainability – "meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, pp. 43).

1.6. Acronyms

BSC – balanced score card

CSR – corporate social responsibility

GRI – Global Reporting Initiative

TBL – triple bottom line

SR – sustainability report

1.7. Assumptions

The assumptions for this study included:

- There was utility in researching the characteristics that facilitate the generation of A+ GRI sustainability reports.

- All participants were available and willing to take part in the survey process.
- The participants selected to take part in this study were the most appropriate individuals to answer the survey questions.
- All participants answered honestly and accurately during the survey process without organizational reserve or bias.
- The research framework and methodology were sufficient to answer the study's research question.

1.8. Limitations

This study was limited by the following factors:

- This study was limited to organizations that submitted a sustainability report to the GRI in 2010 with an A+ application level.
- This study was limited by the availability and accuracy of the contact information provided within publicly available sustainability reports.
- This study was limited by the participants' willingness to partake in the survey process.
- This study was limited to the sustainability reports that were available in English.
- This study was limited but the sustainability reports developed by organizations specifically in the regions of Europe, Oceania, and North America.

1.9. Delimitations

The delimitations for this study included:

- The industrial sectors not associated with A+ GRI applications in 2010.
- The ability of the GRI application level to accurately reflect sustainability report compliance.
- The quality or content of the organizations' sustainability report.

1.10. Summary

This section has outlined the research study, including the problem statement, research question, scope, and significance. This section has also presented a list of definitions, acronyms, assumptions, limitations, and delimitations. The next section will present an overview of the literature review conducted for this research.

SECTION 2. LITERATURE REVIEW

Although sustainability and sustainability reporting are relatively novel concepts, their global consideration and materiality have contributed to a significant volume of literature being produced. In order to prudently select literature germane to the current research question, the researcher acknowledged the notion that relevant research has three central functions: to solve a problem, to fill a gap in previous research, and/or to replicate prior research results. To determine which concepts, methodologies and research results are fundamental to the sustainability field, the researcher evaluated articles and determined common threads of information found among the mass of literature. The citations associated with key pieces of information throughout each article were noted and served as the next piece of work to be reviewed. Common threads were found and served as the metaphorical trunk of the sustainability movement with the occasional research breakthrough that created branches of ideas and information.

This section is a culmination of the researcher's review of prior work and includes a brief history of sustainability awareness, implications of sustainability reporting, information regarding the GRI, description of previous research, and a justification of this research study's methodology.

2.1. The History of Sustainability Awareness

The genesis of the sustainability movement is often traced back to the early 1960s. Specifically, Rachel Carson's book *Silent Spring*, which was published in 1962, acted as a catalyst for the environmental movement (Sherman, 2001). *Silent Spring* raised concerns regarding the use of chemical pesticides by the general public and large corporations; however, this piece's most important contribution was the propulsion of the relationship between environmental, economic, and social issues to the forefront of public and political agendas for the first time (Sherman, 2001). During the 1960s and 1970s, several environmental awareness campaigns and conferences were held resulting in the formation of environmental government agencies (National Environment Agency, 2004) including the founding of the Environmental Protection Agency (EPA) on December 2, 1970 (EPA, 2011). With the influx of environmental agencies and subsequent research, awareness of issues impacting the environment escalated rapidly. The effects of chlorofluorocarbons, volatile organic compounds, nitrous oxide, carbon dioxide, and deforestation on the environment were emerging topics of research conducted throughout the 1970s and 1980s (National Environment Agency, 2004).

Along with the release of Carson's *Silent Spring*, one of the most influential pieces of literature regarding sustainability is the United Nation's World Commission on Environment and Development (WCED) report titled *Our Common Future*. In 1987, *Our Common Future* was released and transformed the perception of the relationship between economic, environmental, and social sustainability by linking the latter two concepts in terms of the former (McMichael, 2008). Prior to *Our Common Future* report, environmental and social sustainability were considered threats to economic

sustainability. In other words, the practice of environmental and social sustainability was thought to detract from economic sustainability. *Our Common Future* insisted that environmental and social health positively impact economic health, which thereby encourages sustainable development (Azapagic & Perdan, 2000; McMichael, 2008). The impact of *Our Common Future* on the sustainability movement is analogous to the impact Vannevar Bush's *Science: The Endless Frontier* had on the advancement of research after WWII.

During the 1990s to today, the sophistication of sustainable development has augmented mainly through increased awareness and the use of sustainability tracking and reporting tools. In 1992, the Earth Summit, with 120 world leaders and representatives from 150 countries in attendance, accepted Agenda 21, which provided a roadmap to ensure future sustainable development (Azapagic & Perdan, 2000). Following the adoption of Agenda 21, sustainability tracking and reporting tools such as the ISO 14000 series, GRI sustainability reporting guidelines, and the Dow Jones Sustainability Index have increased sustainable development participation and accountability (Bernhart, 2009; Lozano & Huisin, 2011; Woods, 2003).

2.2. Sustainability Reporting Implications

Sustainability activity is mainly driven by governmental regulation; nevertheless, the act of making sustainability activities transparent via sustainability reports is predominately completed on a voluntary basis. In general terms, a voluntary program must support economic growth in order to be commonly adopted in the for-profit sector. More specifically, sincere sustainable development and sustainability reporting must

economically align with an organization's business model; otherwise, only a façade or minimal amount of sustainable activity will transpire.

Organizations have been heavily criticized for treating sustainability reporting as a marketing ploy rather than a sincere effort to sustain economic, environmental, and social growth (KPMG, 2008). However, genuine sustainability reporting has increased due to the realization that consumers recognize organizations that are truly sustainable and reward those organizations with their business (Business in the Community, FTSE Group [FTSE], & Insight Investments, 2005). Other factors, including organization embarrassment due to unethical behavior, have encouraged operational transparency through sustainability reporting (KPMG, 2008; Business in the Community, FTSE, & Insight Investments, 2005). According to KPMG's 2008 international survey of corporate responsibility reporting, over 50% of the largest 250 companies worldwide (G250) expressed ethical and economic considerations, brand value, innovation and learning, and employee motivation as the main reasons for developing a sustainability report. Other reasons to develop sustainability reporting include increases in sustainable development, organizational integrity and reputation, stakeholder inclusiveness and materiality, gaining competitive advantage, and cost savings through decreased resource consumption (Business in the Community, FTSE, & Insight Investments, 2005; GRI, 2006; KPMG, 2008; Skouloudis, Evangelinos, & Kourmousis, 2010).

The aforementioned implications are illustrated in Michelle Bernhart's case study (2009) on Vancity, a financial institution located in Vancouver, British Columbia. Vancity initiated a unique program called "Bike Share" that provided 45 bicycles throughout the city for general public use. This initiative alone created a 300% return on

investment and dramatically increased the organization's website activity. Over a three-year period, Vancity experienced a 20% increase in branch membership due to the emphasis on social and environmental growth (Bernhart, 2009).

Value creation through sincere sustainability efforts is a concept that produces meaningful results with respect to economic, environmental, and social sustainability. The full capacity to which an organization may stimulate economic growth through environmental and social initiatives is not wholly comprehended. However, consumer spending accounts for roughly 70% of the U.S.'s Gross Domestic Product (GDP) (Goodman, 2009) and 65% of the U.K.'s GDP (MacDonald & Thomson, 2011), which is an encouraging indicator of value creation potential.

2.3. Global Reporting Initiative

In 1997, the Boston, Massachusetts based Coalition for Environmentally Responsible Economics (CERES) founded GRI in hopes of developing a standardized sustainability reporting framework (GRI, 2010). The GRI reporting framework is used to report the sustainability activities that transpire in the economic, environmental, and social aspects of organizational operations. After a partnership with the United Nations Environment Programme (UNEP) was established in 1999, a set of pilot guidelines was released to only 20 sustainability-reporting organizations. The first generation of official guidelines was released in 2000 and a second generation (G2) of revised guidelines was released in 2002, along with the relocation of GRI headquarters to Amsterdam in the Netherlands. After implementing a substantial amount of industry and professional feedback, the current generation of guidelines (G3) was released in 2006 with a set of

sector supplements that continually increase in sector specificity. The indicators in which organizations report sustainability activity are disaggregated into two groups of indicators, core and sector specific, which provide breadth and depth comparisons. In other words, the core indicators are intended to provide a means to generically compare sustainability activities globally and the sector specific indicators provide a more in-depth means to compare within specific sectors of industry (GRI, 2010).

The G3 Guidelines rely on four fundamental principles in order to define report content: materiality, stakeholder inclusiveness, sustainability context, and completeness (GRI, 2006). In order to accommodate the varying levels of sustainability maturation among organizations, GRI Guidelines allow for incremental guideline application. The G3 Guidelines differentiate between levels of application by assigning corresponding letters ranging from A to C. Level A application represents the highest level of compliance to G3 Guidelines, followed by level B and level C. By completing external assurance, organizations can further increase the level of application, which is represented by appending a plus sign (+). For example, if an organization was fully compliant with the G3 Guidelines and solicited external assurance, the organization would receive an application level of an A+ (GRI, 2006).

Since the inception of the GRI, sustainability reporting has exponentially increased with nearly 1800 sustainability reports being published in 2010 (GRI, 2010). In 2008, 69% of the 100 largest companies by revenue (N100) and 77% of the G250 used the GRI framework to develop sustainability reports (KPMG, 2008). The GRI's commitment to continuous guideline improvement and materiality, as well as its reputation as the standard sustainability-reporting framework for industry, has established

itself as the discernible instrument for reporting sustainability and completing future research.

2.4. Objectives of Previous Research

The majority of sustainability reporting research can be classified into three main categories: country-level assessments, sector-level assessments, or reporting-framework assessments. However, it should be noted that the research spanned across multiple category classifications but was generally weighted towards a singular, distinct category. Each type of sustainability reporting research classification has utility in the sustainability field. Therefore, the literature reviewed had an equal distribution of each of the above categories.

2.4.1. Country-level Assessments

Country-level assessments, such as those completed by Skouloudis, Evangelinos, and Kourmouis (2010), KPMG (2008), and Gallego (2006), focus on the quality of sustainability reporting within a particular country or among several countries. Sustainability reporting quality of the country of interest is deduced by assessing the degree of sustainability report disclosure with respect to a particular reporting framework. The most common reporting framework used to benchmark country-level sustainability reporting was the GRI framework.

For example, the drivers for sustainability reporting, as well as the benefits and quality of reporting, were assessed among corporations in Greece (Skouloudis,

Evangelinos, & Kourmoussis, 2010). The results of this assessment illustrated that the expectations of stakeholders – including corporate transparency and accountability- motivate corporations to report sustainability. Also, the propensity of Greek corporations to selectively comply with GRI indicators (opposed to holistically complying to all indicators) led to fragmented reports with varying degrees of disclosure (Skouloudis, Evangelinos, & Kourmoussis, 2010).

Gallego (2006) reported similar results for Spanish firms, alluding to the disclosure of differing levels of economic, environmental, and social indicators. Although Spanish firms have increased the quantity and quality of sustainability reports, the disclosure of adverse environmental indicators remained negligent (Gallego, 2006).

KPMG's 2008 report, *International Survey of Corporate Responsibility Reporting*, highlighted 22 countries regarding their sustainability reporting. The underlying trend among the 22 countries was that every country reported to a varying degree of compliance. This common thread of disclosure fragmentation and quality variation within the sustainability reporting community creates not only reporting discord at the country-level but also at the global-level.

2.4.2. Sector-level Assessments

Sector-level assessments, such as those completed by Fonseca, Macdonald, Dandy, and Valenti (2010), Guthrie and Farneti (2008), and Lamprinidi and Kubo (2008), have similar intentions as country-level assessments, with the differentiating characteristic being the unit of analysis. As implied by the name, sector-level assessments focus specifically on either the private or public sector. The distinction between public

and private sectors lies in the classification of ownership: public sector organizations are government owned entities where as private sector organizations are privately owned. The majority of sector-level assessments concentrate on the compliance of private sector sustainability reporting, as implications of sustainability reporting (refer to Section 2.2) are more accurately aligned with private sector business models. However, the GRI's perspective regarding public sector reporting is one that acknowledges the public sector's unique position as "significant employers, providers of services, and consumers of resources" (GRI, 2005, p. 7) that can also benefit from the plethora of implications associated with sustainability reporting.

Guthrie and Farneti (2008) investigated seven Australian public sector companies with regards to the extent and type of sustainability reporting disclosure. All seven organizations evaluated in this study claimed to use the GRI framework for sustainability reporting guidance; however, only 32% of the GRI indicators were used congruently by all organizations, once again indicating fragmented reporting practices. Similar results have been reported with respect to Canadian universities (Fonseca, Macdonald, Dandy, & Valenti, 2010), and public agencies worldwide (Lamprinidi & Kubo, 2008).

2.4.3. Reporting-Framework Assessments

Reporting-framework assessments, such as those completed by Lozano and Huisinigh (2011) and Labuschagne, Brent, and Erck (2003), focus on the evaluation of sustainability reporting frameworks. The reporting frameworks under evaluation are typically selected based on their shortcomings perceived by the researcher with the intention to propose a novel, more relevant reporting framework. For example, Lozano

and Huisinigh (2011) evaluated three private sector companies, two from Mexico and one from the United States, in order to determine the degree to which sustainability reporting takes into account the synergistic relationship between the economy, environment, and society. It was determined that the evaluated companies report heavily on economic, environmental, and social issues but fail to take into account the synergy that exists between these components of sustainability. After determining this fundamental inadequacy of current reporting frameworks, the researchers concluded by acknowledging the need for a more comprehensive framework (Lozano & Huisinigh, 2011).

Additionally, after speculating that four prominent sustainability-reporting frameworks lack industry relevance, Labuschagne, Brent, and Erck (2003) proposed a new framework “to assess the sustainability performances of a company and its operational activities” (Labuschagne, Brent, & Erck, 2003, p. 384). With the constant assessment and proposition of new sustainability reporting frameworks, continuous improvement of established frameworks is mandatory in order to not only survive but also flourish. Thus, this survival of the fittest competition ensures that the most effective and efficient sustainability reporting frameworks are available to industry.

2.4.4. Acknowledging Additional Assessments

This general categorization of current research was meant to function as an instrument to present the types of literature most prominently available for review in the field of sustainability reporting. Additional research does exist, however, that focuses on topics other than those referenced above. For example, Farneti and Guthrie (2007)

evaluated Australian public sector organizations attempting to determine the intrinsic and extrinsic motivations that influence organizations to voluntarily report sustainability efforts. The results of this evaluation cited the act of providing information to internal stakeholders as the primary reason for developing sustainability reports and this effort was spearheaded by one influential individual within the organization (Farneti & Guthrie, 2007).

2.5. Methodology Justification

Regardless of the type of assessment, the majority of sustainability reporting research has focused on *what* organizations are reporting in order to determine report quality. Research studies trying to determine *what* organizations are reporting, such as Gallego (2006), KPMG (2008), and Skouloudis, Evangelinos, and Kourmousis (2010), use a similar technique, which includes comparing an organization's publicly available sustainability information with sustainability reporting indicators (i.e. GRI G3 Guidelines). The validity of using this technique to determine *what* organizations are reporting is not in question. However, this technique was not conducive to the pursuit of determining the extrinsic or intrinsic characteristics associated with sustainability reporting.

Pursuing a research question deviant from the majority of prior research required the use of an atypical research methodology. The research methodology utilized by Farneti and Guthrie (2007) provided a framework that was useful in determining the motivations behind organizations that reported sustainability efforts. Farneti and Guthrie's (2007) methodology consisted of conducting semi-structured interviews with

eleven individuals directly associated with the development of sustainability reports from seven organizations. These semi-structured interviews used a structured questionnaire but allowed the interviewee to speak freely. The interviewee's answers were then analyzed to find organizational themes that correlated with sustainability reporting motivation.

The implementation of a research methodology similar to Farneti and Guthrie (2007) allowed the research question sought by this study to be adequately answered. A more in-depth review of this research's framework and methodology can be found in Section 3.

2.6. Summary

This section has provided a review of the research pertinent to sustainability reporting. It has included a brief history of sustainability reporting, implications of sustainability reporting, GRI information, an explanation of previous research, and a justification of the research methodology.

Prior literature focused on sustainability reporting has left a substantial gap in the research necessary to navigate sustainability to full potential. The overview of prior literature provided within this section has proven that the disclosure fragmentation and report quality variation has become the typical topic of concern in sustainability reporting research, which leads one to reason that a new direction in research focus must be pursued. By determining the characteristics that predispose organizations to produce more compliant sustainability reports, organizations can adjust operating characteristics to facilitate increases in sustainability report compliance. The implications of increasing sustainability report compliance can inevitably contribute to brand value creation, thereby

producing meaningful results with respect to economic, environmental, and social sustainability. The next section further outlines the research framework and methodology, including the population and sample approach and the data collection method.

SECTION 3. FRAMEWORK AND METHODOLOGY

Establishing a robust research framework and methodology is vital to the success of any research study. This section outlines the research framework and methodology used to complete this study. The methodology section specifically focuses on the population and sample selection approach as well as the data collection method.

3.1. Research Framework

In order to determine the characteristics among organizations associated with A+ GRI compliant sustainability reports, a grounded theory, qualitative research design was conducted to collect the required data. Specifically, a descriptive study in a non-contrived setting was employed, which provided a mechanism to profile the selected organizations and determine common threads of organizational characteristics prevalent in A+ compliant sustainability reporting.

Although this research utilized a grounded theory design, a theoretical framework was also developed based on the results of prior research. Along with the grounded theory method, the theoretical framework was used to frame the importance of the survey responses. The independent variables of management philosophy, resource availability, and market incentives were anticipated to affect the dependent variable of sustainability report compliance, as illustrated in Figure 3.1.

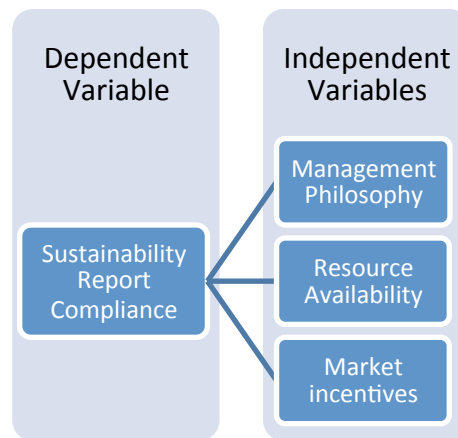


Figure 3.1. Schematic diagram of the theoretical framework used to evaluate the characteristics associated with sustainability report compliance.

The management philosophy of an organization was thought to have a profound impact on the presence and compliance of sustainability reports. This conjecture was supported by Farneti and Guthrie's (2007) research, which found that an organization's sustainability reporting initiative was spurred by a key individual that encouraged reporting awareness. This finding alludes to the importance of an organization's management philosophy to directly encourage sustainability reporting and/or, at the very least, create avenues to pursue reporting activities. Sustainability reporting adds to the responsibility of organizations, which are already laden with a multitude of various reports. This additional workload strains resources, including: capital availability, personnel time and labor, and equipment availability. It could be expected that an organization with greater access to resources should be more capable of producing A+ GRI compliant sustainability reports, opposed to organizations with less resources. Finally, the market position of an organization can act as an incentive to promote a sustainability culture within the organization. This idea is a direct result of the rising awareness of organizational reputation on the customer's purchasing preferences.

3.2. Methodology

The majority of research currently available surveys a select group of organizations and determines sustainability report quality by perusing the sustainability report content available to the public. While this may be a satisfactory means to determine *what* organizations are reporting with regards to sustainability, it does not aid in the effort to determine the underpinning characteristics that contribute to A+ GRI compliant sustainability reporting.

The methodology of this research study was influenced by the research conducted by Farneti and Guthrie (2007), which also had the aspiration to determine *why* organizations report sustainability activity. Due to time and resource restrictions, the semi-structured interview process was not administered in its entirety. However, the questions presented during Farneti and Guthrie's semi-structured interview process were modified to compliment the research objective and presented in the form of a fifteen-question survey. The survey was disseminated via email to the selected sample group and remained accessible for completion for two months. An exhaustive evaluation of the survey responses was conducted in order to determine common themes of information that could be associated to discrete organizational characteristics. As the short-answer and multiple-choice questions were rigorously evaluated, common themes were identified and provided a basis for determining organizational characteristics that contributed to A+ compliant sustainability reports.

Establishing a working level of trust was necessary to obtain accurate and thorough answers during the survey process. In order to obtain and maintain participant trust, the researcher ensured both participant and organization anonymity throughout the

research study. Establishing anonymity allowed the participants to answer candidly without the fear of punitive measures being enforced by the organization due to potentially unflattering participant remarks. Demonstrating researcher integrity and respect for the participant also helped establish rapport between the participants and the researcher by reducing tension and building a communication pathway. Also, the potential for response bias was considered and avoided, to the best of the researcher's ability, by ensuring an objective survey that was free from leading or loaded questions.

3.3. Population and Sample Approach

The intent of this research was to provide organizations of varying sustainability report compliance with characteristics that were likely to aid in increasing their report compliance. In order to increase generalizability, careful identification and selection of the study population and sample were conducted.

3.3.1. Industry population

The population for this study included over 1800 sustainability reports submitted to the GRI in 2010 (GRI, 2011). Organizations reported from nearly forty different sectors, including financial services, energy, food and beverage products, energy utilities, and mining, which were five of the most represented sectors. In 2010, the GRI received sustainability reports from all over the world, including countries in Africa, Asia, Europe, Latin America, North America, and Oceania (GRI, 2011). Due to the specific nature of the research objective, a more appropriate research approach was utilized to determine

which organizational characteristics contributed to developing A+ GRI compliant sustainability reports. This approach consisted of utilizing a unique sampling method, which is discussed in the next subsection.

3.3.2. Sample Approach

The application of judgment sampling allowed the sample to be confined to the A+ sustainability reports submitted to the GRI in 2010. Since 2006, the number of GRI sustainability reports has rapidly increased and so too have the number of A+ GRI applications (GRI, 2011). In 2010, there were 378 A+ sustainability reports submitted to the GRI. Through the additional application of judgment sampling, the sample was further confined to not only the A+ GRI applications but also applications provided in the English language from countries within Europe, North America, and Oceania. The use of judgment sampling resulted in a final target sample size of 107 organizations with A+ sustainability reports. Given the sample size used in similar, previously conducted research (Farneti & Guthrie, 2007; Guthrie & Farneti, 2008; Skouloudis, Evangelinos, & Kourmoussis, 2009) and the timeframe allotted to conduct this research, the selected sample was considered valid for this descriptive study. Ultimately, this study will provide global, multi-industry insight as to the characteristics conducive to developing an A+ GRI sustainability reporting.

3.4. Data Collection

The collection of data can be a seemingly insurmountable task. For this reason, the researcher decided to utilize both primary and secondary sources of data. The collection of primary data was used to answer the specific research question in this study. The solicitation of secondary data not only decreased the data collection time but also provided supporting data for study validation.

The primary source of data was collected through the administration of a fifteen-question survey, which can be found in its entirety in Appendix A. The survey was disseminated via email to the target sample of 107 organizations that had submitted an A+ sustainability report to the GRI in 2010. An important consideration for the researcher throughout the survey process was ensuring anonymity of the respondents, which provided security for candid responses. The survey was also presented as a voluntary activity for all recipients. The responses to each of the fifteen questions were collated and analyzed to determine important themes that were relevant to the research study. The survey administered included questions that required either a short-answer or a multiple-choice answer. The two types of response categories, short-answer or multiple-choice, were handled with two distinct methods. To simplify the arduous task of evaluating short-answer responses, a poster board was used for each short-answer question and a note card was used for each response to the corresponding question. As each short-answer was evaluated, the main idea or theme was written on the note card and placed on the respective poster board. An initial theme or idea became the header of a column and, as reoccurring response themes became apparent, the subsequent, corresponding responses were placed beneath it. This short-answer analysis method allowed for a visual

representation of the distribution of response themes for each question, which functioned similarly to a stem-and-leaf plot being utilized as a histogram with quantitative data. In order to visualize the short-answer handling method, a graphic for each short-answer question is provided in Appendix C. The method for analyzing the multiple-choice questions was more straightforward and was completed by tabulating and graphing the response rate for each answer, which determined the distribution of each question's responses.

Alternatively, secondary sources of data were collected and utilized in order to validate this study's results and as supporting data for generalizing results beyond the subjects of this study. The secondary sources of data included KPMG's 2008 report, *Internal Survey of Corporate Responsibility Reporting* and the GRI's reporting list, which archived sustainability report information from 1999 to 2011. The final source of secondary data included Business in the Community, Insight Investment, and FTSE's 2005 report titled *Rewarding Virtue*.

3.5. Summary

This section provided an overview of the research framework and methodology utilized to complete this study, including the population and sample approach and the data collection method. The next section includes the data and results from the administered survey. In the data and results section the survey responses are presented and their implications are discussed.

SECTION 4. DATA AND RESULTS

As the sustainability reporting community continues to be saturated with research focused on the content of publicly available sustainable reports, this disparate research provides a perspective on potential sources of compliance variation and valuable information for organizations that participate in sustainability reporting. The purpose of this research was to determine the organizational characteristics in sustainability reporting that contribute to A+ GRI compliance. By determining the organizational characteristics contributing to variance in sustainability report compliance, it was the researcher's intent to provide a benchmark for organizations struggling with sustainability reporting compliance, government policy-makers, and stakeholders.

A fifteen-question survey, which can be found in Appendix A, was disseminated to 107 organizations that had submitted an A+ sustainability report to the GRI in 2010. The responses to each of the fifteen questions were collated and analyzed to determine important themes that were relevant to this research study. As recurring response themes became apparent, the organizational characteristics associated with developing A+ sustainability reports also became apparent.

This section presents the data and results from the survey administered to the selected sample group. Firstly, the survey results are presented in a concise, logical manner in order to simply relay the main themes that were discovered. Secondly, a

discussion of the relationships and generalizations that can be deduced from the survey results is provided. Finally, this section ends with a brief summary of the data and results section and leads to the final section, where the researcher's conclusions and recommendations are provided.

4.1. Presentation of Survey Results

Of the 107 surveys disseminated, a total of 21 responses were received from 21 distinct organizations. Although the questions utilized in the survey were asked in order to determine the organizational characteristics in sustainability reporting that contribute to A+ GRI compliance, the answers can also be dually utilized to provide a high-level profile of the otherwise anonymous responding organizations. This subsection begins with a brief overview of the organizations that responded and transitions to the presentation of the remainder of the survey results.

4.1.1. Number of Employees

The number of employees employed by each organization was separated into three ranges, 0 to 500 employees, 501 to 10,000 employees, and great than 10,001 employees. The 21 respondents noted the following employee ranges, 14% of the organizations employed 0 to 500 employees, 38% employed 501 to 10,000 employees, and 48% employed more than 10,001 employees. This data is graphically illustrated as a percentage of total respondents in Figure 4.1.

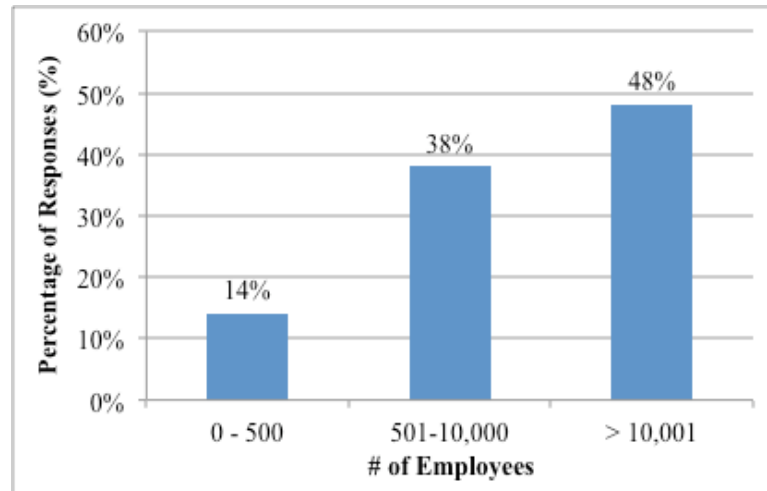


Figure 4.1. Number of employees employed by each organization.

4.1.2. Perception of Sustainability Reporting within the Organization

The survey participants were asked to provide the overall perception of sustainability and sustainability reporting within their organization. The question was presented using a five-level Likert scale with the following multiple-choice options, positive (beneficial, value added, etc.), neutral (no strong feelings for or against it), mixed feelings (a mixture of supporters and detractors), negative (non-value added or inopportune, etc.), or other. As illustrated in Figure 4.2, the majority of respondents (90%) acknowledged a “positive” perception within their organization toward sustainability and sustainability reporting. However, one respondent did concede to a “neutral” perception and another recognized “other” as the perception within their organization. Unfortunately, the actual perception towards sustainability and sustainability reporting within the organization that selected “other” is unknown, as the respondent did not expound upon his/her selection.

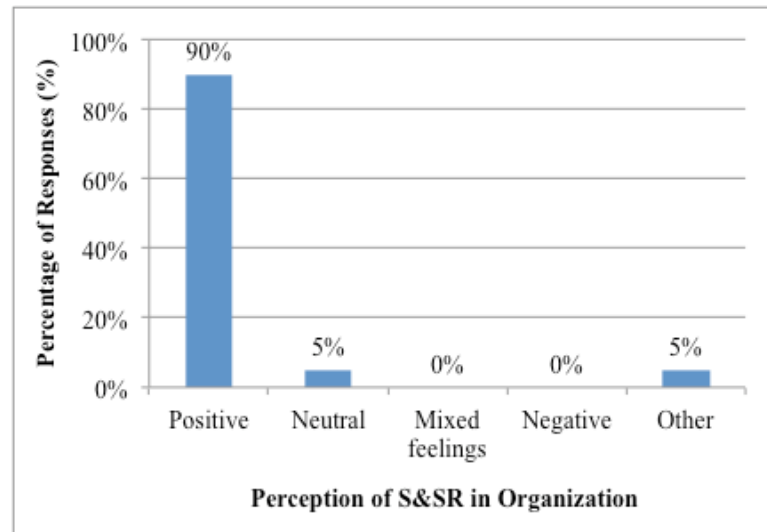


Figure 4.2. Overall perception toward sustainability & sustainability reporting (S&SR) in the organization.

4.1.3. Number of People Involved in Creating a Sustainability Report

The survey participants were also asked about the approximate number of people in their organization that were involved in creating their sustainability report. The responses varied drastically from 4 full-time employees to 172 employees, with a mean response of 42.25 employees. There are two plausible explanations for the cause of this response variation: the varying size of the responding organizations and the different sectors in which the organizations were involved required varying levels of employee support to complete the sustainability or, more likely, 2) there were varying interpretations by the survey participants of the term “involved”, which was derived from poor question presentation/clarification by the researcher. Asking the question of “Approximately how many people are involved in creating your organization's sustainability report?” was intended to account for all employees that contributed to the development of the organizations sustainability report (e.g. data collectors, content

providers, full-time employees, supporting employees, executive oversight, etc.). As it is an already difficult task to accurately quantify the number of employees that influence a large report's development, a question that did not specify the level of detail desired certainly did not help. This is evidenced by the varying level of detail in responses, which ranged from precise answers with integers (i.e. "60", "20", "5"), estimated answers (i.e. "cca 50", "1 full time with circa 40 supporters"), and detailed answers including full-time equivalency (FTE) (i.e. "2.5 FTE, plus oversight by Director and CFO, plus approx. 0.5FTE in communications. Also, around 100 data providers and subject matter experts provide input into the report.")

4.1.4. Estimated 2010 Sustainability Report Budget

The estimated 2010 sustainability report budget provided by the participating organizations ranged from \$19,832 (€15,000) to \$235,560 (€178,168) with an average budget of \$88,454 (€66,904). As budgetary items within organizations are often sensitive to public disclosure, six organizations' budget information was not provided. The six organizations that were not included considered their sustainability report budget to be confidential, provided a large budget range, or simply provided the largest contributors to their sustainability report expenses (i.e. "Largest budget items are assurance (price depends on scope) and production, and staff time"), rather than a monetary amount.

4.1.5. Number of Sustainability Reports Created

The number of sustainability reports the organizations had created using the GRI framework was also surveyed. This question was presented to the participants as a multiple-choice question with four separate ranges, 0 to 4 GRI sustainability reports, 5 to 8 reports, 9 to 12 reports, and more than 12 GRI sustainability reports. As seen in Figure 4.3, the responses reveal that 48% of the participating organizations completed between 5 and 8 sustainability reports using the GRI framework. Furthermore, the second most prevalent range of sustainability reports created using the GRI framework was between 9 and 12 reports, which was closely followed by the lowest reported range of 0 to 4 reports at 29% and 24%, respectively. The lack of organizations that created more than twelve sustainability reports using the GRI framework is not surprising, as the GRI did not release its first generation of guidelines until 2000 (GRI, 2010).

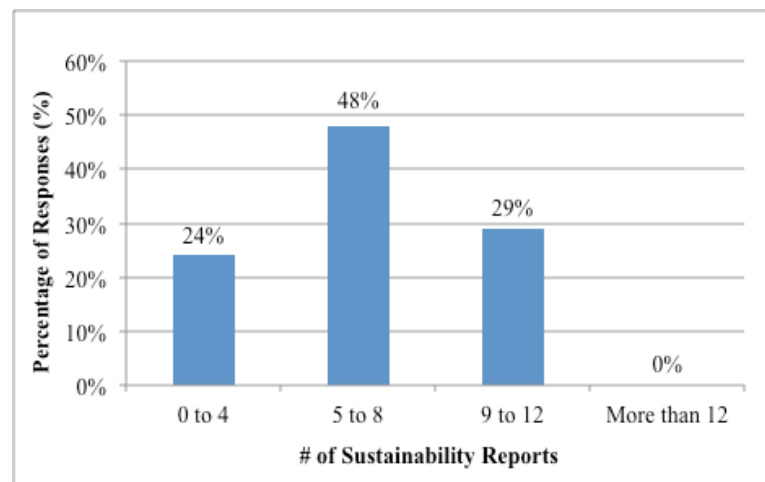


Figure 4.3. Distribution of the number of sustainability reports created using the GRI guidelines by the responding organizations.

4.1.6. Mediums Used to Disseminate a Sustainability Report

The participants were then asked to provide the range of mediums used to disseminate their sustainability reports. The survey respondents were given six different report dissemination mediums as well as an “other” option and were asked to select all mediums that apply to their organization. All of the respondents (100%) claimed to use a web-based medium to disseminate their sustainability report, which included PDF versions available on the organizations’ website (as illustrated in Figure 4.4). Paper and hard copy versions of the sustainability report were the second-most utilized medium with 81% of the respondents affirming the use of this medium. While stand-alone documents were the third-most utilized (43%) medium to publish a sustainability report, an integrated document was used fourth-most at 29%. The method that was used fifth-most (14%) was the compact disk (CD). The “other” category was selected by one respondent (5%) to explain the airing of an audio broadcast of key chapters as a means to publicize their sustainability report. Evidently, all of the participating organizations used at least one medium to circulate their sustainability report, as zero (0) organizations selected the “N/A” answer choice.

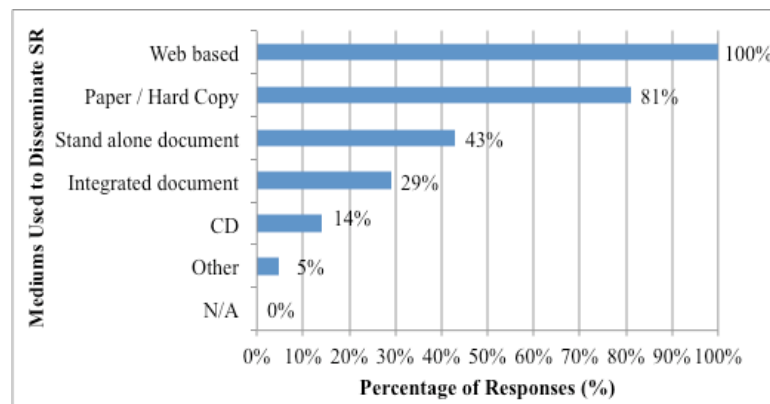


Figure 4.4. Distribution of the mediums used to disseminate sustainability reports (SR).

4.1.7. Sustainability Report Implementation Challenges

The survey participants were also asked to answer a short-answer question regarding the main challenges associated with implementing their organization's sustainability report. As illustrated in Figure 4.5, the most common response (67%) cited the data collection process as the main challenge for their sustainability report implementation. Specifically, a respondent cited the “data capture and information flow”

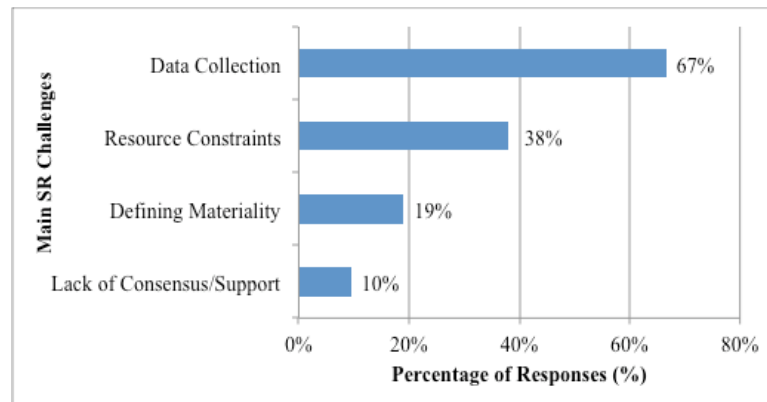


Figure 4.5. Main challenges associated with implementing a sustainability report (SR). aspect of developing their sustainability report to be particularly challenging. Also, as organizations became global and increased their operations, the data collection process became more challenging. Resource constraints, including financial, human, and time, were the second-most common challenge expressed by the organizations with a response rate of 38%. The third-most common response (19%) stated that “defining materiality” was another challenge within their organization. Defining materiality was considered difficult for several reasons including, a lack of set standards and regulations for establishing materiality, constantly changing information and topics of importance, and establishing the specific concerns of stakeholders. Other challenges that were expressed included, the lack of support and consensus (“especially from the CEO”) within the

organization, risk-aversion (i.e. publishing areas of poor performance), employee and customer engagement, integrating financial data and sustainability performance, as well as integrating the sustainability report into daily operations.

4.1.8. Effects of Economic Uncertainty on Sustainability Reporting

As many of the organizations that were surveyed are located in financially unstable countries, the organizations were asked how the economic recessions have affected their sustainability reporting initiative. As illustrated in Figure 4.6, an impressive 81% of organizations were able to maintain their reporting activity. Moreover, reporting activity had actually increased in 10% of the participating organizations. Conversely, 10% of the participating organizations had experienced a decrease in reporting activity.

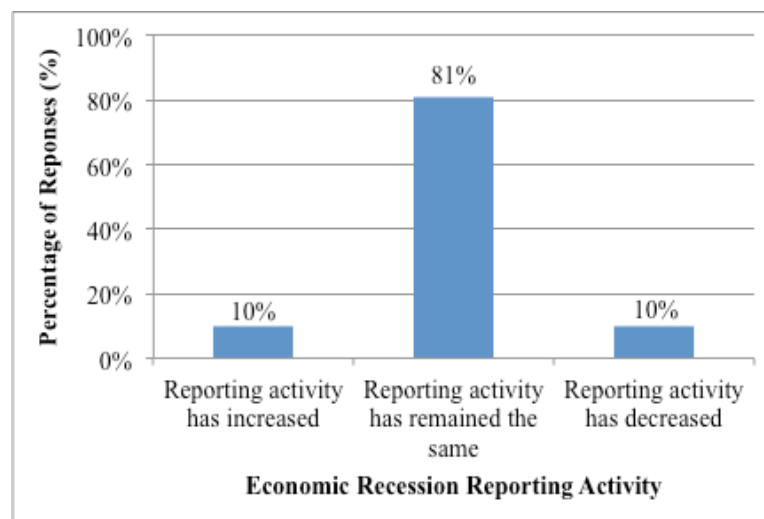


Figure 4.6. The effect of economic recessions on sustainability report activity.

4.1.9. Motivations for Voluntarily Reporting Sustainability

Although the participating organizations provided a great deal of information regarding the challenges associated with implementing a report, the organizations also provided their motivations for voluntarily developing a sustainability report. As illustrated in Figure 4.7, the number one motivation (62%) for developing a sustainability report was to increase stakeholder inclusiveness and engagement. Also, 48% of the

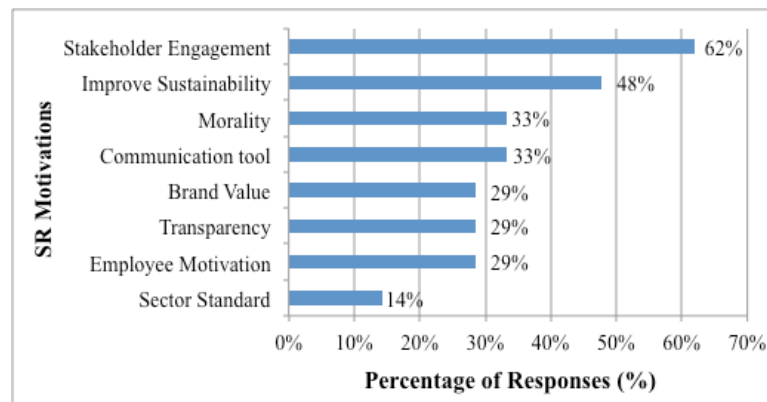


Figure 4.7. Motivations for voluntarily developing a sustainability report (SR).

organizations stated the sustainability reports were implemented as a management tool to improve sustainability within their organization. The sustainability reports aided in improving data quality, diagnosing the status of sustainability within the organization, and ensuring improvement on stakeholder sustainability concerns. The theme of morality was mentioned by 33% of the respondents, which stated they were motivated to create a sustainability report because “it is the right thing to do”, it ensures “integrity”, “Corporate Social Responsibility”, demonstrates “accountability”, and maintains “company values”. Also at 33%, the organizations were motivated to develop a sustainability report in order to use it as a communication tool for not only reporting the organization’s performance but also to demonstrate their commitment to “environmental, social, and governmental

issues”. Additionally, using the sustainability report as a communication tool allowed an organization to show the relationship between “finance and sustainability and how sustainability contributes to the success of the organization”. Increasing an organization’s brand value was the fifth-most expressed motivation (29%) for voluntarily developing a sustainability report. Similarly, the desire to increase the overall transparency of the organization, especially for “all relevant stakeholders”, was a source of motivation for 29% of the respondents. Also with a 29% response rate, the organizations were motivated to develop a sustainability report due to the subsequent motivation of their employees. In other words, 29% of the organizations were motivated by increasing employee motivation/moral with the publication of environmental and social improvements, which provided a sense of “employee-community commitment”. Though, 14% of the organizations stated that developing a sustainability report was either a standard practice in their sector or a regulatory requirement to disclose certain environmental indicators. Other motivations that were singularly provided include, being able to “compare sustainability performance with other organizations”, and being able to “show reporting rigor”.

4.1.10. Initiating Sustainability Reporting

The participating organizations were asked to identify the individual that initiated sustainability reporting in their organization. The *Board of Directors* was the most common initiator of sustainability reporting among the organizations surveyed with a 43% response rate, as seen in Figure 4.8. The *President or CEO* of the organization was the second-most (29%) individual credited for initiating sustainability reporting. More

specific titles, such as the organization’s “Founders/C-suite¹”, were also provided but ultimately were equated to the President or CEO level. The *General Manager* was selected by 14% of the participants as the individual responsible for initiating sustainability reporting in their organization. Again, the General Manager role was also equated to the “Corporate Sustainability Office” in one organization and the “Strategic Relations & Communications Division Director” in another. The *Vice President* of 10% of the organizations was recognized as the initiator of their sustainability report. The “Director of Social Policy” and the “Vice President Environment” were provided as more specific titles under the Vice President selection. One participant (5%) did provide a title as “other”, which was the “Environmental Project Manager”. The titles of *hourly employee*, *salary employee*, *supervisor*, and *manager* were not considered to have initiated sustainability reporting in the participating organizations.

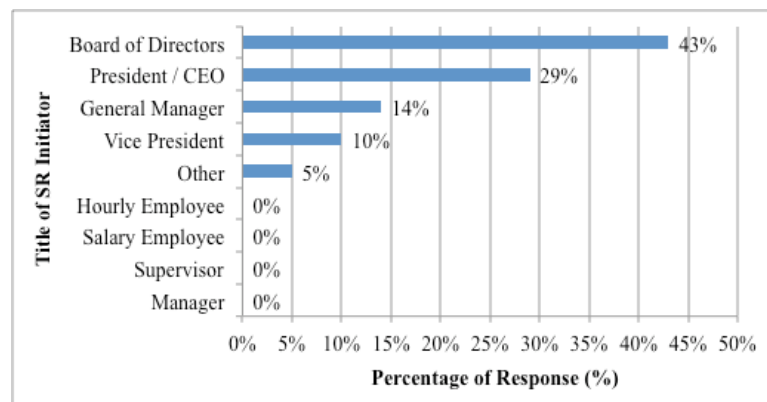


Figure 4.8. Title of the individual responsible for initiating sustainability reporting (SR) within the organization.

¹The term “C-Suite” refers to executive-level titles, such as the CEO, COO, and CFO.

4.1.11. Advocating Sustainability Reporting

After determining the individual that initiated sustainability reporting in the participants' organization, the participants were asked who they identified as the strongest advocate for continuing sustainability reporting in their organization. As illustrated in Figure 4.9, the *President or CEO* was credited by 45% of the participants as the strongest advocate for continuing sustainability reporting within their organization.

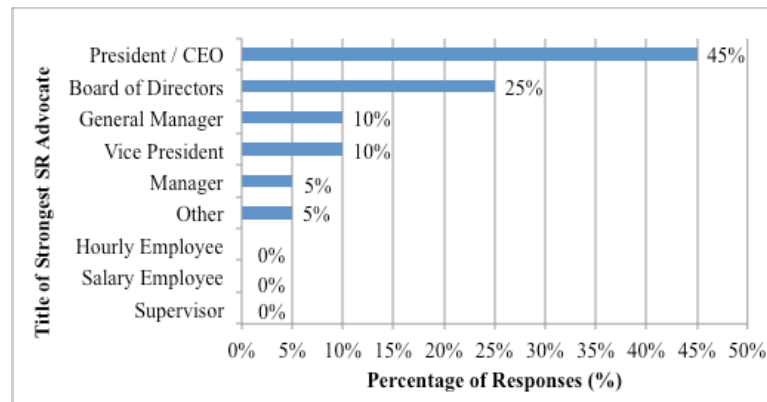


Figure 4.9. Title of the strongest advocate for sustainability reporting (SR) within the organization.

The titles of “Chief Sustainability Officer/Co-Founder” were provided as alternative titles for the *President or CEO* choice. The *Board of Directors* was recognized by 25% of the participants as the strongest advocate for continuing sustainability reporting within their organization. The *General Manager* and *Vice President* titles were separately selected by 10% of the participants as the chief advocate for sustainability reporting. The *General Manager* title was more specifically designated as the “Sustainability Manager” and the “Group Environment Manager”. Moreover, the *Vice President* title was supplemented with the “CSO [Chief Sustainability Officer]” and “CFO [Chief Financial Officer]”. Also, 5% of the organizations attributed a manager as the strongest advocate for continuing

sustainability reporting. Similarly, 5% of the participants provided a title with the *other* selection as their main sustainability-reporting advocate, which was the “Head of Corp. Sust. [Head of Corporate Sustainability]”. The titles of *hourly employee*, *salary employee*, and *supervisor* were not considered to be advocates of sustainability reporting in the participating organizations.

4.1.12. Sustainability Report Design and Implementation Responsibility

The survey participants were given a short-answer question to determine which personnel in their organization were responsible for designing and implementing their sustainability report. The majority of respondents (71%) provided more than one individual for assuming this responsibility and included responses such as:

- “Sustainability Manager, Communications manager, representatives from key business units”
- “Corporate Environmental Affairs Manager, Sustainability Reporting Manager, and Group Environment Manager”
- “CSO and CR reporting manager [*sic*]”

Among the groups of individuals that were provided as being responsible for designing and implementing the sustainability report, there were common themes of specific titles mentioned. The most predominate responses included:

1. “Sustainability Manager” (48%)
2. “Communication Manager” (24%)
3. “Chief Sustainability Officer” (19%)

4. “Sustainability Reporting Manager” / “Social Reporting Director” (19%)
5. “CFO” (10%)
6. “Investor Relations Manager” (10%)

The participants also acknowledged the “CSR Staff”, “Sustainability Analyst”, “Representatives from key business units”, and “company secretary” as positions that were held responsible for designing and implementing their sustainability report. Although many variations of one title existed among the multitude of responding organizations, the common theme of each title was isolated in order to determine responsibility trends. The main impression to be taken from this set of responses is that, of the 49 different titles provided, 42 of the titles (86%) were at a manager title of above (i.e. manager, department head, director, or executive). This notion is further discussed in Section 4.2.

4.1.13. Sustainability Report Final Approval

As the final question regarding organizational structure, the participants were asked to identify the individual that provided the final approval for the publication of their sustainability report. Of the twenty-one responses, four organizations (19%) cited two parties responsible for providing the final approval, including:

- “Co-Founder + President”
- “Management Board and Supervisory Board Members”
- “Board of Directors and CEO”

- “Strategic Relations & Communications Division Director and Board of Directors”

By evaluating all of the responses individually, common titles were collated to determine trends in the individuals with final approval authority. As Figure 4.10 illustrates, the *Board of Directors* was responsible in 43% of the organizations for giving the final approval for sustainability report publication. The *President / CEO* was the

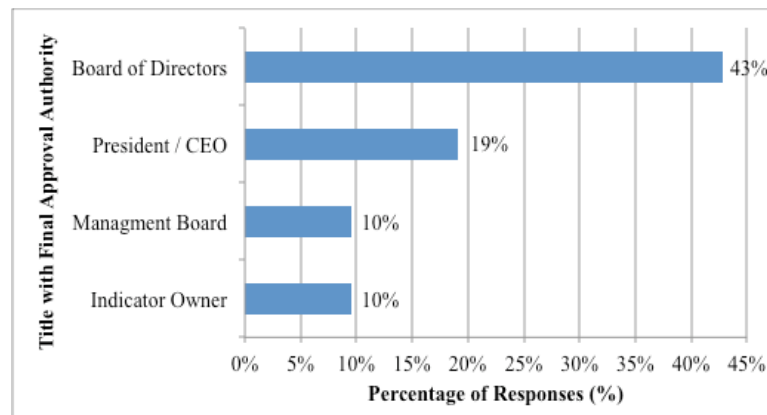


Figure 4.10. Title of the individual with final approval authority for sustainability report publication.

second-most title (19%) identified as having final approval for publication. The *management board* and *indicator owner* were both credited by 10% of the participating organizations as having final approval authority for publicizing their sustainability report. The “indicator owner” title was created by the researcher and refers to organizations that offered the “directors” or “department heads” with final approval authority for the indicators in their respective department(s). Other responses were singularly provided to describe the individual with final approval authority, such as the “Senior Vice President”, “Company Secretary”, and the “Disclosure Committee”. The latter title approved all publications authored within that particular organization.

4.1.14. Ensuring Indicator Response

As the main difference between GRI application levels is the level of indicator compliance, the participating organizations were asked how they ensured a response was given on each core G3¹ and Sector Supplement indicator with due regard to the materiality principle. Incorporating feedback from stakeholder engagement was the most common approach to ensure indicator responses on items of materiality in 43% of the participating organizations, as shown in Figure 4.11. The organizations consistently referred to the importance of stakeholder engagement/involvement in determining materiality within their organization. The second-most common method employed to

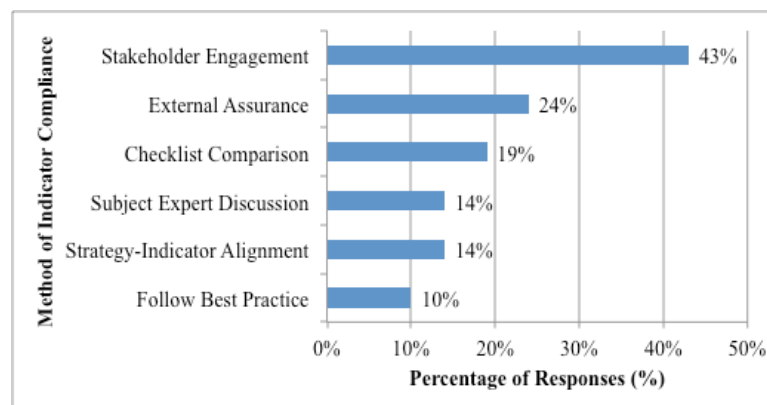


Figure 4.11. Method of ensuring core G3 and Sector Supplement indicators with due regard to the materiality principle.

ensure indicator responses on items of materiality was through external assurance in 24% of the organizations, which was expected due to the research sample consisting of A+ GRI applicants (i.e. principally, all of the organizations rely on external assurance, which verifies indicator compliance, to receive an A+ application level). Also, 19% of organizations expressed the use of checklist comparisons (e.g. GRI sector supplement

¹Core G3 refers to the GRI's third generation of guidelines.

checklists, internal checklists, and indicator questionnaire checklists) to ensure their completed report was compliant and material. Discussions with key subject experts were utilized by 14% of the participating organizations to ensure indicator compliance and materiality. Similarly, 14% of the organizations endeavored to align their organizational strategy with the GRI indicators. Benchmarking the trend of best practices was also a strategy embraced by 10% of the organizations to ensure indicator responses on items of materiality. Other approaches to ensuring compliance and materiality included, “materiality reviews”, “discussion in internal sustainability board”, and “surveying company managers about key sustainability issues”.

4.1.15. Other Keys to Sustainability Report Success

Finally, the participants were provided the opportunity to express any other organizational characteristics that directly contributed to the development of an A+ sustainability report. Only thirteen of the twenty-one respondents provided a response to this question. A common theme that was exuded by the majority of responses was that sustainability and sustainability reporting were integral to the organization’s culture and success:

Previously, the embedded culture we had built up over a decade, through internal diagnostics and training, and a strong message from the CEO that it was material. (Anonymous, personal communication)

...sustainability, and reporting is integrated to the operation of the company... (Anonymous, personal communication)

Private, family and employee-owned company with strong values (Anonymous, personal communication)

Our business strategy and plan is sustainable. (We don't have a separate sustainability strategy [*sic*]). This is why we produce one integrated report. (Anonymous, personal communication)

The importance of a persistent commitment to stakeholders was also expressed by the participating organizations:

buy-in from all key stakeholders into our mission, core values, vision, and our commitment to sustainability and transparency (Anonymous, personal communication)

The commitments to stakeholders listed in the report are contained in the Hera Balanced Scorecard (the incentive system for executives). This is to provide guarantees of consistency and coherence among the various instruments used for management and achievement of the Group strategy (Business Plan, Sustainability Report, management reporting, bonus system). (Anonymous, personal communication)

Other organizations listed “pride”, “Organisational communication”, and “long term experience” as elements within their organization that aided in their sustainability reporting efforts. Furthermore, organizations also expressed that integrating their reports and using a variety of mediums to disseminate their report were aspects that benefitted their sustainability reporting initiative:

We decided to report Social and environment activities by the use of hard copy document, the Internet website and various electronic documents in order to reach different target of stakeholder and to make available snapshot information and dynamic ones. (Anonymous, personal communication)

We are moving to 'integrated reporting' and as such are not producing separate 'sustainability' reports. The focus for reporting should be on all aspects that materially affect our stakeholders and so it makes sense to have this information all in one place. (Anonymous, personal communication)

The aim of this subsection was to extract the main themes from the survey results.

The next subsection will provide discussion relative to the theoretical framework outlined in Section 3.1, as well as discuss the implications of the survey results.

4.2. Discussion of Survey Results

Using the theoretical framework, illustrated by Figure 3.1, the independent variables of management philosophy, resource availability, and market incentives are used to further discuss the characteristics associated with sustainability report compliance. This subsection will provide the implications and generalizations derived from the survey responses previously presented.

4.2.1. Management Philosophy

The use of management philosophy as an independent variable in the theoretical framework of this research was intended to evaluate the organizations' management structure and culture that are evident in the organizations' daily operations. By recognizing not only the explicit meaning but also the inferred meaning of the survey responses, important implications can be derived that shed light on the critical aspects of management philosophy that induce sustainability report compliance.

The most noteworthy principle relative to the management philosophy that can be derived from this research is that the leadership of an organization (i.e. managers, general manager, vice president, president/CEO, and the board of directors) dictates the success of sustainability reporting within that organization. If the leadership within an organization demonstrates a genuine awareness and commitment for sustainability reporting, the resulting sustainability reporting (SR) efforts are not done in vain. The participating A+ compliant organizations demonstrated this concept by considering an individual at the manager or greater hierarchical position (i.e. general manager, vice president, president/CEO, or the board of directors) as the responsible individual for

initiating SR, being the strongest advocate for continuing SR, and providing final approval for SR publication. Furthermore, of the 49 position titles provided as being responsible for designing and implementing the sustainability report, 42 or 86% were at a manager position or above. The organization's perception of their leadership's sincerity to commit to sustainability reporting establishes a culture that resonates throughout the organization. This ability to mold a sustainability culture within an organization provides a unique opportunity to institute SR expectations, thereby establishing significant weight for SR initiatives and encouraging greater SR compliance.

It is also important to note that, if an organization incorporates the expectations of its stakeholders, as it should for long-term prosperity, the real catalyst for establishing sustainability reporting importance is the organization's stakeholders. The amount of influence held by the stakeholders is evidenced by the 62% of participating organizations that specified stakeholder engagement as the number one motivation for voluntarily developing a sustainability report. Also, 43% of the organizations acknowledged stakeholder engagement as the main method for ensuring a response was given on each core G3 and Sector Supplement indicator with due regard to the materiality principle. Therefore, the desire to include the expectations of stakeholders on matters of materiality ultimately positions stakeholders for affecting sustainability reporting in the greatest way. Consequently, the real determinate of sustainability reporting compliance can be traced to the expectations of the stakeholders and the execution of the organization's leadership to understand and sincerely commit to the stakeholders' expectations.

Farneti and Guthrie (2007) discovered similar results during their interviews with Australian public sector organizations. Farneti and Guthrie (2007) found that

sustainability reporting was supported or initiated predominately by “a key individual” within the organization but was also influenced by internal stakeholders. According to Skouloudis et al. (2009), the stakeholder’s desire for accountability and transparency within an organization beyond traditional financial reports is not only present but also abundant. Furthermore, Business in the Community et al. (2005) alluded to the necessity of directors within an organization to establish a culture through values and standards that meet their obligation to stakeholders. A brief evaluation of these results illustrates the need for an organization’s leadership to effectively acknowledge and employ the expectations of their stakeholders. Conversely, research focused on sustainability reporting in the higher education sector revealed that a bottom-up approach was most effective in initiating the development of sustainability reports (Fonseca, et al., 2010). However, Fonseca (2010) also suggested that the leadership within the university was able to validate the bottom-up initiatives through the implementation of supporting policies.

4.2.2. Resource Availability

The use of resource availability as an independent variable in the theoretical framework of this research was intended to evaluate the organizations’ financial, human, and time resources that are readily available for the development of the organization’s sustainability report. Understanding the resource availability of organizations with an A+ sustainability report provides insight on the ubiquity and consequences of resource constraints.

The participating organizations reported a wide range of human resources utilized to develop their sustainability report, which ranged from 4 full-time employees to 172 employees with a mean response of 42.25 employees. The organizations also reported varying levels of financial resources committed to the development of their SR, which ranged from \$19,832 to \$235,560 with an average budget of \$88,454. However, the results of this survey did not indicate that organizations able to achieve A+ sustainability reports have adequate resource availability. In fact, the second most common challenge expressed by the organizations was overcoming their resource constraints. Although the organizations experienced financial, human, and time constraints, the organizations were still able to produce an A+ sustainability report. Furthermore, 91% of the organizations were able maintain or even increase sustainability reporting initiatives through difficult financial times. The organizations capable of overcoming their resource availability constraints rely on their reporting motivations and organizational culture to succeed.

Lamprinidi and Kubo (2008) determined that organizations experience an inundation of reporting and the addition of a sustainability report proves taxing. However, this research illustrates that the several of the participating organizations were able to avoid the overwhelming quantity of reports through report integration. Participating organizations explained a common overlap between information in their discrete reports and the integration of their reports enabled them to reduce the information overlap and concentrate efforts on a single report. Furthermore, experience proved to be another important characteristic for developing an A+ GRI sustainability report, as 77% of participating organizations had completed five or more GRI sustainability reports. Also, a few organizations explicitly stated their experience in sustainability reporting aided in

reaching A+ compliance. The impact of experience on sustainability report compliance could be anticipated because a key intention of the GRI application level was to provide a graduated compliance structure for novice sustainability reporting organizations.

4.2.3. Market Incentives

The use of market incentives as an independent variable in the theoretical framework of this research was intended to determine the organizations' motivations for developing a sustainability report. Recognizing why organizations voluntarily report reveals organizational characteristics that influence the development of A+ compliant sustainability reports.

The participating organizations provided several reasons for voluntarily developing their sustainability report. The organizations were able to recognize the market incentives that exist after developing a sustainability report, which have effects beyond merely diagnosing the status of sustainability within the organization. The motivations expressed by the participating organization, such as improving stakeholder engagement, increasing transparency, strengthening company values and integrity, and increasing brand value are all market incentives that benefit not only the organizations but also society as a whole. KPMG (2008) acknowledged a contract that is established between business and society as a byproduct of corporate responsibility. This resulting contract stresses honesty, integrity, fairness, and respect for society's rights (KPMG, 2008). The market incentives provide profound value to the organizations, which not only encourage continued sustainability reporting but also further financial success.

It is also important to note that the motivations of an organization are not mutually exclusive. For example, the genuine desire to create a sustainability report for morality or integrity purposes would also contribute to the brand value of the organization. The interdependent relationship between motivations was further exemplified in the Vancity case study discussed earlier in Section 2.2, which brought a 300% return on investment and a 20% increase in membership rates due to their sustainability initiatives (Bernhart, 2009). This demonstrates that pursuing sustainability improvements within an organization can also increase brand value; thereby, increasing profit margins.

4.3. Summary

Both the theoretical framework used in this research and the survey responses highlight the organizational characteristics in sustainability reporting that contribute to A+ GRI compliance. The theoretical framework's independent variables of management philosophy, resource availability, and market incentives had varying degrees of influence on the participating organizations' ability to develop an A+ compliant sustainability report. While each independent variable evaluated had an impact on ensuring report compliance, the management's sustainability philosophy, with the culture that supervenes, was the most effective variable at encouraging sustainability report compliance. Furthermore, these results should not simply be taken at face value. In other words, creating five or more SR, as 77% of the responding organizations did, spending the mean amount of \$88,454 on the development of a SR, and/or using several mediums to dissemination a SR does not guarantee increased indicator compliance. However, if the

organization has the organizational characteristics outlined in this section, the culture within an organization will be more sustainability-minded and compliance will be built into daily operations.

SECTION 5. CONCLUSIONS AND RECOMMENDATIONS

This research study has investigated the organizational characteristics in sustainability reporting that contribute to A+ GRI compliance. The research contained here within includes an introduction to the research topic, a review of pertinent literature, a description of the research's theoretical framework and methodology, and the presentation and discussion of research results. This section concludes the research study by providing a summary of the research purpose, significance, and results. This section also presents the researcher's recommendations for research strategy improvements and for the direction of future research.

5.1. Conclusions

Prior research that investigated the practice of sustainability reporting mainly focused on the content of publicly available sustainability reports. The purpose of this research was to provide the growing practice of sustainability reporting with disparate research, which was used to determine the organizational characteristics in sustainability reporting that contribute to A+ GRI compliance. By determining the organizational characteristics that induced variance in sustainability report compliance, the researcher was able to provide a beacon for organizations struggling with sustainability reporting compliance, government policy-makers, and stakeholders.

The methodology utilized in this research included the dissemination of a fifteen-question survey to 107 anonymous organizations that had submitted an A+ sustainability report to the GRI in 2010. The voluntary responses to each of the fifteen questions were collated and analyzed to determine important themes that were relevant to this research study. As common themes were discovered, specific implications and generalities were established relative to the research's theoretical framework, which provided insight to the organizational characteristics responsible for A+ GRI compliant sustainability reports.

After the evaluation and discussion of the research results, the organizational characteristics that contribute to the development of A+ GRI compliant sustainability reports were successfully identified. The results were evaluated with regard to the theoretical framework's independent variables, which were management philosophy, resource availability, and market incentives. The management philosophy of an organization had the most profound influence on sustainability report compliance. This result was evidenced by the participating organizations disclosing that the leadership of their organization (i.e. managers, general manager, vice president, president/CEO, and the board of directors) dictated the success of sustainability reporting within their organization. Furthermore, of the 49 position titles provided as being responsible for designing and implementing the sustainability report, 42 (or 86%) were at a manager position or above. The participating organizations also considered the leadership within their organization as the initiators of sustainability reporting, as well as the individuals with the authority to approve final sustainability report publication. The sincere commitment of an organization's leadership to sustainability reporting developed a culture within the organization, which had sustainability integrated into the

organization's values and daily operations. With 62% of participating organizations specifying stakeholder engagement as the number one motivation for voluntarily developing a sustainability report, the true determinate of sustainability reporting compliance was traced to the expectations of the stakeholders and the execution of the organization's leadership to understand and sincerely commit to the stakeholders' expectations.

Although the second-most common challenge expressed by the organizations was overcoming their resource constraints (including financial, human, and time), 91% of the organizations were able maintain or even increase sustainability reporting initiatives through difficult financial times. The organizations found that an integrated sustainability report decreased the amount of resources necessary for report completion when compared to the amount of resources necessary to create several discrete reports. The organizations capable of overcoming their resource availability constraints relied on their reporting motivations and organizational culture to maximize indicator compliance.

The participating organizations were able to recognize the market incentives that exist after developing a sustainability report, which have effects beyond merely diagnosing the status of sustainability within the organization. The motivations expressed by the participating organization, such as improving stakeholder engagement, increasing transparency, strengthening company values and integrity, and increasing brand value are all market incentives that benefit not only the organizations but also society as a whole. These market incentives provide profound value to the organizations, which not only encourage continued sustainability reporting but also further financial success.

During the analysis of the survey responses, an apparent subtext surfaced, which suggested that the participating organizations did not strive for a particular GRI compliance level. However, the participating organizations developed a genuine sustainability culture and the sustainability report compliance level was a byproduct of their sustainability commitment. Moreover, this research has determined that establishing a pervasive sustainability culture, overcoming resource constraints, and recognizing sustainability reporting market incentives facilitates A+ GRI sustainability report compliance, which can also assist organizations struggling with sustainability reporting. This research also has the potential to provide considerable insight to government policy-makers and stakeholders for the development of effective policy that results in more transparent, moral organizations.

5.2. Recommendations

While conducting this research, a great deal of reflection has led to the identification of various areas of improvement; these areas of improvement are provided as recommendations in this section. The recommendations resulting from this research study are provided as suggestions for methodology improvements fundamental for replicating this research as well as suggestions for the direction of future sustainability reporting research.

In the case of pursuing research that is similar to this study, certain considerations would behoove the researcher by enhancing response quality and increasing generalizability. The responses received from the participating organizations provided tremendous awareness for determining the organizational characteristics that contribute

to GRI compliant sustainability reports. However, the pure anonymity that allowed organizations to reply without reserve also eliminated the possibility for the researcher to contact the responding organizations for response clarification. The ability to follow-up on participant responses would allow more insightful information to be collected. The ability to follow-up responses could be corrected by one of two means: 1) conducting the data collection process using a semi-structured interview process, which would allow the researcher to immediately clarify responses and/or 2) asking the survey respondents to provide contact information for follow-up questions. The use of either, or both, of these methodology corrections would allow the researcher to clarify the response meaning and verify the accuracy of the researcher's interpretation of the response. Another consideration to improve the research methodology would be to increase the sample size by targeting all A+ GRI applications regardless of location and/or the language used to develop the sustainability report. By removing the location and sustainability report language filters, the sample size would increase, thereby increasing the generalizability of the results.

This research study and the sustainability reporting community, as a whole, would benefit greatly from the pursuit of future research. For example, future research that focuses on organizations that have not created an A+ GRI sustainability report would effectually compliment this research study. Understanding the challenges, motivations, management philosophy, resource availability, and market incentives of the organizations that have not reached A+ GRI compliance would provide valuable insight. The organizational characteristics of organizations that have not created an A+ GRI sustainability report could then be compared to the results found in this research, which

could be used to determine more precise associations and implications for developing A+ GRI sustainability reports.

Also, a research study that utilized a random sampling method, such as a simple random sampling or stratified random sampling, of all the sustainability reports submitted to the GRI in 2010 would allow for the central limit theorem to be applied. With the use of a random sampling method and the assumption of the central limit theorem, more sophisticated statistics could be applied to the research results. The availability of more sophisticated statistical methods would provide concrete, statistical significance beyond the qualitative data analysis methods typically utilized in sustainability reporting research. Consequently, these research results could determine correlations between organizational characteristics and sustainability report compliance beyond those associated with only A+ sustainability reports.

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APPENDICES

Appendix A. Distributed Survey Questions

3/11/12

Qualtrics Survey Software

Default Question Block**Q1.****How many sustainability reports has your organization created using the GRI guidelines?**

- 0-4
 5-8
 9-12
 More than 12

Q2.**What mediums are utilized to disseminate your sustainability report? (Select all that apply.)**

- Paper / Hard Copy
 Web based
 CD
 Stand alone document
 Integrated document
 N/A
 Other

Q3. Please list the motivation(s) for voluntarily developing a sustainability report. (e.g stakeholder inclusiveness, increase sustainable development, integrity, brand value, motivate employees, etc.)

Q4.**What are the main challenges associated with implementing a sustainability report in your organization?****Q5.****What is the overall perception toward sustainability and sustainability reporting in your organization?**

- Positive (beneficial, value added, etc.)
 Neutral (no strong feelings for or against it)
 Mixed feelings (a mixture of supporters and detractors)
 Negative (non-value added, inopportune, etc.)
 Other

3/11/12

Qualtrics Survey Software

Q6.
Approximately how many people are involved in creating your organization's sustainability report?

Q7.
Who are the key personnel responsible for designing and implementing your sustainability report? (Please provide the individual and/or group's title only, e.g. Senior Engineering Manager, Sustainability Manager, Hourly Employee, etc.)

Q8.
Who initiated sustainability reporting in your organization? (If a more specific title is applicable, please provide it. For example, a salary employee could be more specifically titled as an entry-level engineer)

- Board of Directors
- President / CEO
- Vice President
- General Manager
- Manager
- Supervisor
- Salary Employee
- Hourly Employee
- Other

Q9. Who is the strongest advocate for continuing sustainability reporting in your organization? (If a more specific title is applicable, please provide it. For example, a salary employee could be more specifically titled as an entry-level engineer)

- Board of Directors
- President / CEO
- Vice President
- General Manager
- Manager
- Supervisor
- Salary Employee
- Hourly Employee
- Other

3/11/12

Qualtrics Survey Software

Q10.**Who provides the final approval before your sustainability report is published? (Please provide the individual's title only, e.g. Board of Directors, CEO, Production Manager, etc.)****Q11. How many employees does your organization employ?**

- 0 - 500
- 501-10,000
- > 10,001

Q12.**What was the estimated budget for creating your 2010 sustainability report?****Q13.****Has the economic recession affected your sustainability reporting initiative?**

- Reporting activity has increased
- Reporting activity has remained the same
- Reporting activity has decreased

Q14. How does your organization ensure a response is given on each core G3 and Sector Supplement indicator with due regard to the materiality principle?**Q15. Please list any other unique organizational characteristics that you feel directly contribute to your success in sustainability reporting?**

Appendix B. Email Correspondence

Sustainability Report Survey - Purdue University

Kurt Mink <noreply@xxxx.com>

Reply-To: Kurt Mink

To: Kurt Mink

Hello,

First and foremost, I would like to congratulate you on achieving an A+ GRI rating for your 2010 Sustainability Report. I am sure it took a great deal of hard work and dedication to develop a report of this caliber.

I am a student at Purdue University and am currently pursuing a master's degree in 'Sustainability, Innovation, and Technology'.

My thesis research is focusing on the effects of organizational structure on sustainability report compliance. In other words, I would like to determine if certain organizational characteristics are associated with developing more compliant sustainability reports, such as the report you created in 2010. I have selected organizations with an A+ GRI report from 2010 and need data pertaining to their organizational structure.

If you can spare just a few moments of your time, can you please take the anonymous survey* found at the link below:

[Click here to take the survey](#)

Or copy and paste the URL below into your internet browser:

https://purdue.qualtrics.com/WRQualtricsSurveyEngine/?Q_SS=aac2qEseT8fdDFy_2fqXqhU6fApLJEU&=1

If you have any questions, please feel free to contact me via the contact information found below. I greatly appreciate your participation and look forward to your response.

Best Regards,

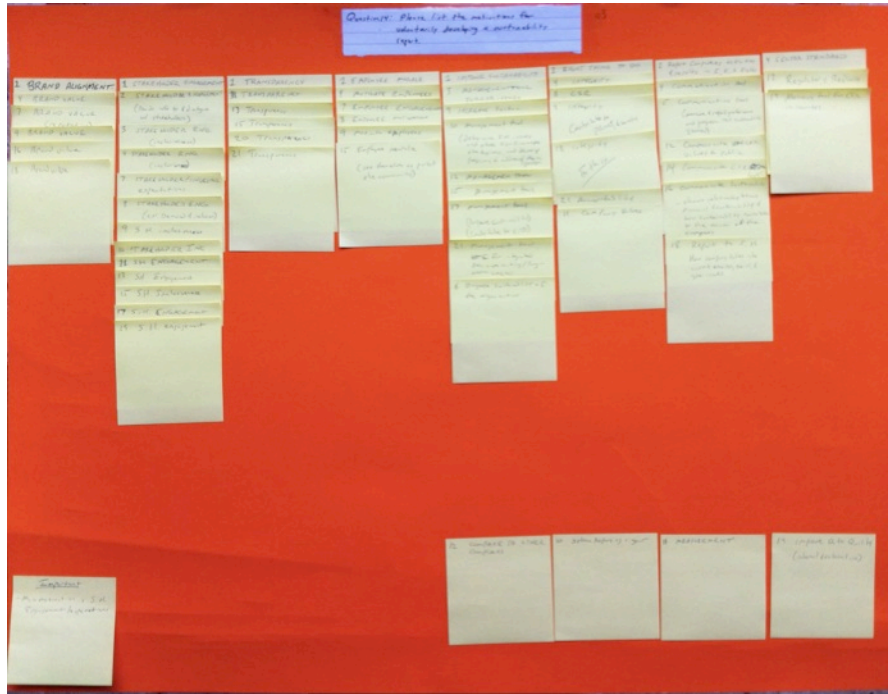
Kurt Mink
Purdue University
Dublin Institute of Technology
Graduate Research Assistant
Graduate Teaching Assistant

<<<CONTACT INFORMATION REMOVED FOR REPORT>>>

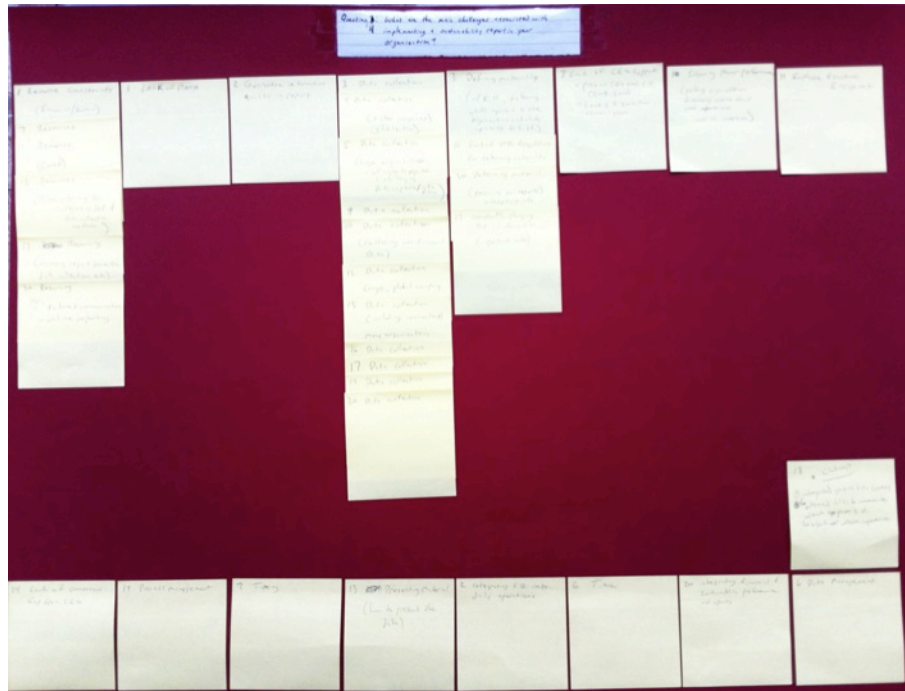
*This survey has been approved by the Institutional Review Board (IRB) at Purdue University; therefore, I guarantee your personal information (name, email address, etc.) and the organization with which you are employed will be kept absolutely anonymous. Also, it is important to note that completing this survey is voluntary.

Appendix C. Short-Answer Analysis Method

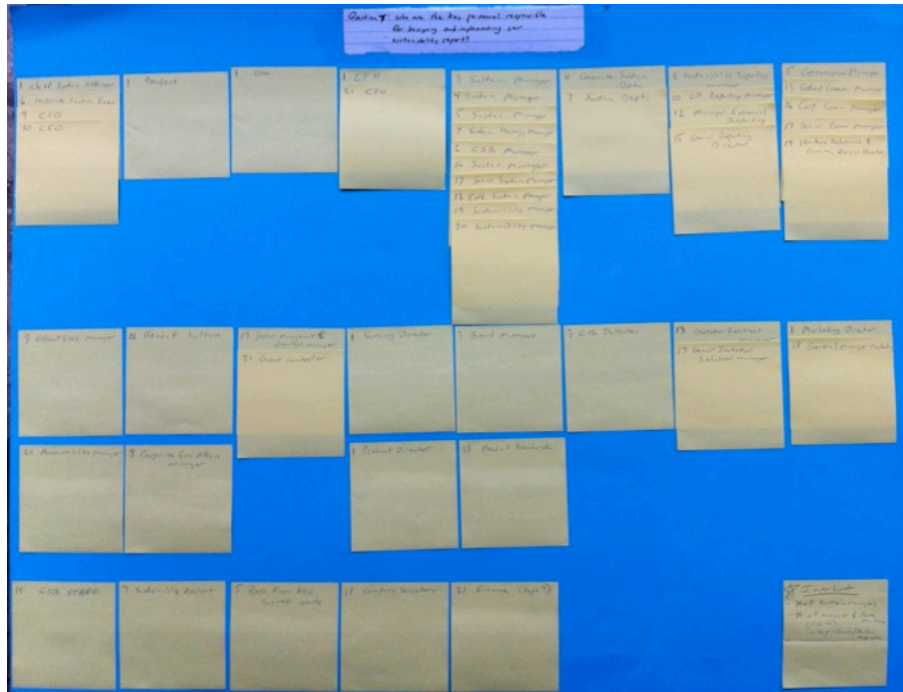
Short-Answer Method Used on Survey Question 3.



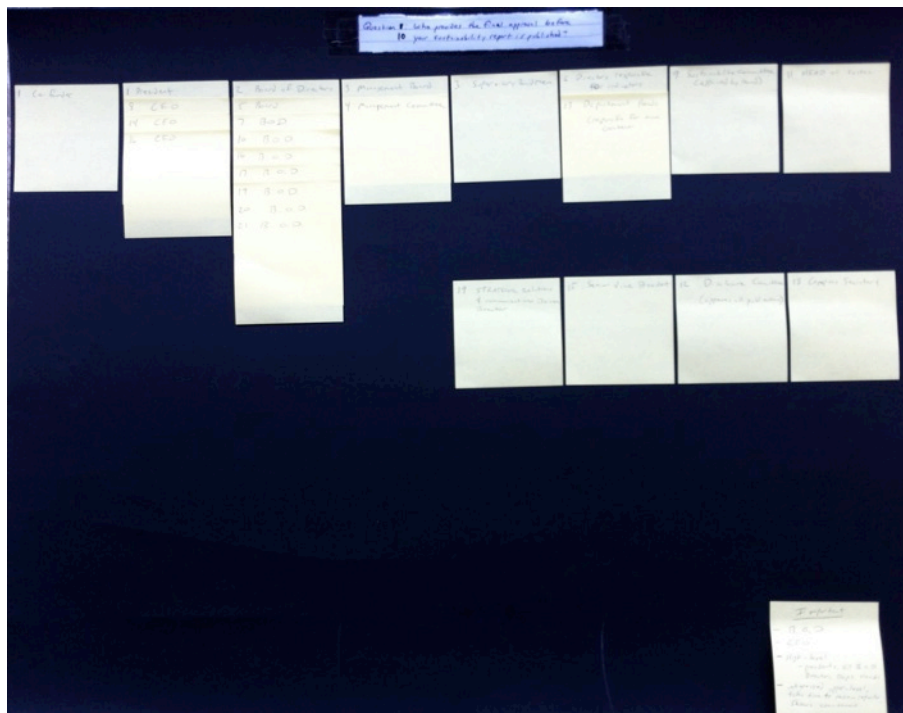
Short-Answer Method Used on Survey Question 4.



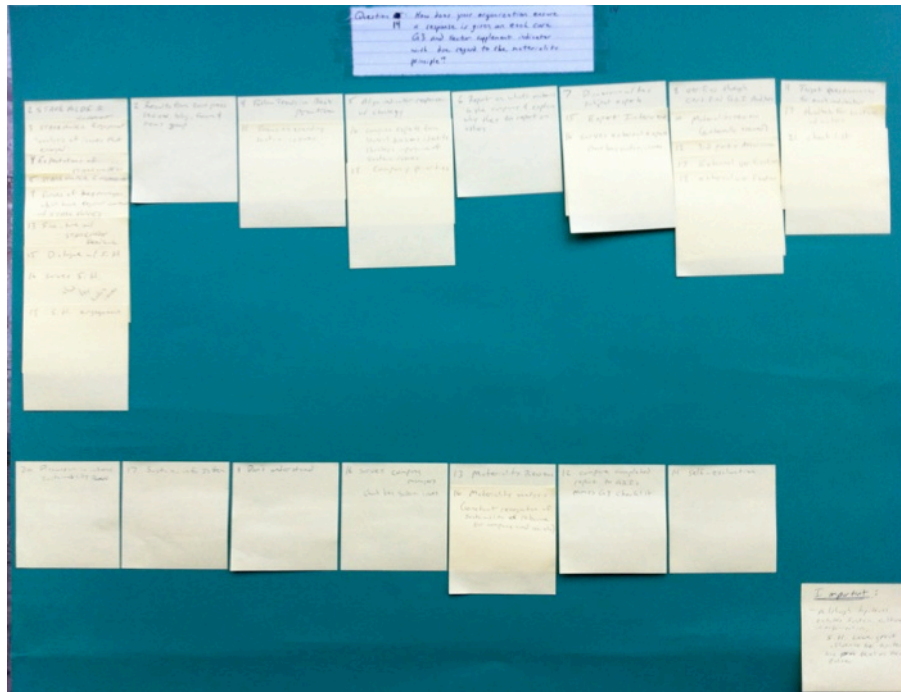
Short-Answer Method Used on Survey Question 7.



Short-Answer Method Used on Survey Question 10.



Short-Answer Method Used on Survey Question 14:



Short-Answer Method Used on Survey Question 15.

